

C & M COMMUNITY SCHOOL DISTRICT  
MASSENA, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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# C & M COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Galen Becker	President	2004
Jennifer Holste	Vice President	2005
Mary Erickson	Board Member	2003
Nancy Erickson	Board Member	2003
Brian Bower	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Galen Becker	President	2004
Jennifer Holste	Vice President	2005
Todd McKee	Board Member	2006
Rob Ticknor	Board Member	2006
Brian Bower	Board Member	2005
<u>School Officials</u>		
James Hammrich	Superintendent	2004
Linda Edwards	District Secretary/Treasurer	2004
Rick Franck	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
C & M Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of C & M Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of C & M Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, C & M Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2004 on our consideration of C & M Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise C & M Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
July 28, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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C & M Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **Financial Highlights**

- General Fund revenues increased from \$1,759,193 in fiscal 2003 to \$1,928,419 in fiscal 2004, while General Fund expenditures increased from \$1,803,379 in fiscal 2003 to \$2,088,375 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$390,307 in fiscal 2003 to \$235,111 in fiscal 2004, a 40 percent decrease from the prior year.
- The increase in General Fund revenues was attributable to the whole-grade sharing costs received from the Anita Community School District in fiscal 2004. The increase in expenditures was due primarily to the whole-grade sharing costs paid to the Anita Community School District, an increase in open-enrollment out costs, and to an increase in the negotiated salary and benefits. As a result, the District funded a portion of the current year General Fund expenditures from the carryover fund balance.
- Open enrollment costs for fiscal 2004 were \$156,075 compared to fiscal 2003 costs of \$90,232, an increase of \$65,843.
- A decrease in revenues of \$23,639 is attributable to the across-the-board cut of 2.25% made by the Legislature in fiscal 2004.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***C & M Community School District Annual Financial Report***

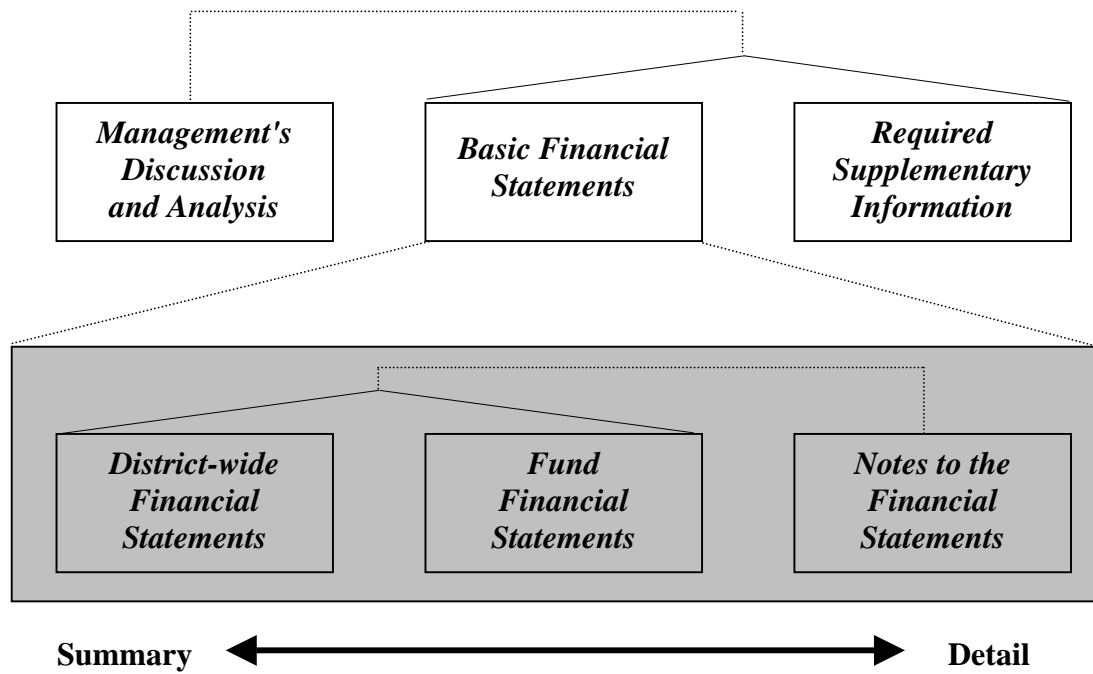


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and agency monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**June 30, 2004**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
Current and other assets	\$1,265,939	\$659	\$1,266,598
Capital assets	<u>\$1,346,865</u>	<u>\$5,595</u>	<u>\$1,352,460</u>
Total assets	\$2,612,804	\$6,254	\$2,619,058
Long-term obligations	\$14,729	\$0	\$14,729
Other obligations	<u>\$719,434</u>	<u>\$0</u>	<u>\$719,434</u>
Total liabilities	\$734,163	\$0	\$734,163
Net assets			
Invested in capital assets, net of related debt	\$1,346,865	\$5,595	\$1,352,460
Restricted	\$251,939	\$0	\$251,939
Unrestricted	<u>\$279,837</u>	<u>\$659</u>	<u>\$280,496</u>
Total Net Assets	<u><u>\$1,878,641</u></u>	<u><u>\$6,254</u></u>	<u><u>\$1,884,895</u></u>

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
Revenues:			
Program revenues:			
Charges for service and sales	\$263,751	\$41,303	\$305,054
Operating grants, contributions and restricted interest	\$282,247	\$44,283	\$326,530
Capital grants, contributions, and restricted interest	\$0	\$0	\$0
General revenues:			
Property tax	\$893,888	\$0	\$893,888
Unrestricted state grants	\$611,327	\$0	\$611,327
Unrestricted investment earnings	\$6,528	\$28	\$6,566
Other	\$120,873	\$0	\$120,873
Total revenues	\$2,178,614	\$85,614	\$2,264,228
Program expenses:			
Governmental activities:			
Instruction	\$1,506,411	\$0	\$1,506,411
Support services	\$650,347	\$0	\$650,347
Non-instructional programs	\$3,352	\$86,823	\$90,175
Other expenses	\$121,223	\$0	\$121,223
Total expenses	\$2,281,333	\$86,823	\$2,368,156
Change in net assets	(\$102,719)	(\$1,209)	(\$103,928)

Property tax and unrestricted state grants account for 66 percent of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91 percent of the total expenses.

### **Governmental Activities**

Revenues for governmental activities were \$2,178,614 and expenses were \$2,281,333.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$1,506,411	\$1,029,511
Support Services	\$650,347	\$647,199
Non-instructional programs	\$3,352	\$3,352
Other expenses	<u>\$121,223</u>	<u>\$55,273</u>
Totals	\$2,281,333	\$1,735,335

- The cost financed by users of the District's programs was \$263,751.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$282,247.
- The net cost of governmental activities was financed with \$893,888 in property tax, \$611,327 in state foundation aid, \$44,726 in income surtax, \$6,528 in interest income, and \$76,147 in other general revenues, \$13,898 was transferred from the General Fund to the Activity Fund to close out the greenhouse resale and industrial arts resale accounts.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$85,614 and expenses were \$86,823. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The expenditures listed here do not include an additional \$3,000 paid by the General Fund for equipment and supplies.

During the year ended June 30, 2004, the District increased meal prices. The School Nutrition Fund has been running a deficit for a significant number of years. The unreserved retained earnings deficit in fiscal 2003 was \$2,840. The District will increase meal prices again for the upcoming fiscal year in an effort to meet expenses.

### **Financial Analysis of the District's Funds**

As previously noted, the C & M Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$462,657, considerably lower than last year's ending fund balances of \$558,297. Reasons for the decrease are due to open-enrollment out tuition increases and whole-grade sharing costs.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$390,307 to \$235,111, due in part to the negotiated salary and benefits settlement, an increase in open-enrollment out tuition expense, and additional expenditures for the whole-grade sharing process including desks, textbooks, and additional transportation expenses.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$99,903 in fiscal 2003 to \$148,286 in fiscal 2004. The District did not purchase a new school bus this fiscal year, but it is anticipated that it will do so in fiscal 2005.

### **Proprietary Fund Highlights**

The District is making strides in improving the financial situation of the School Nutrition Fund. A two-year increase in meal prices should enable the District to be at, at least, a break even point.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 46-48.

### **Legal Budgetary Highlights**

The District's total actual receipts were \$56,427 more than the total budgeted receipts, a variance of 3%. The most significant change resulted from the District receiving additional tuition through the whole-grade sharing program that was not included in the budget.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2004, the District had invested \$1,352,460, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year exceeded \$89,000.

The original cost of the District's capital assets was \$3,094,383. Governmental funds account for \$2,912,959 with the remainder of \$181,424 in the Proprietary, School Nutrition Fund.

Significant capital assets activities include the installation of air-conditioning in the remainder of the Massena building, improvements to the practice field, a new heater in one room in the Cumberland building, and renovation of security lights at the Massena building.

**Figure A-6**

	<b>Capital Assets, net of Depreciation</b>		
	Governmental	Business-type	Total
	Activities	Activities	School District
Land	\$31,200	\$0	\$31,200
Construction in progress	\$0	\$0	\$0
Buildings	\$1,075,703	\$0	\$1,075,703
Improvements, other than buildings	\$3,679	\$0	\$3,679
Furniture and equipment	<u>\$236,283</u>	<u>\$5,595</u>	<u>\$241,878</u>
Total	<u>\$1,346,865</u>	<u>\$5,595</u>	<u>\$1,352,460</u>

### Long-Term Debt

At June 30, 2004, the District had long-term debt totaling \$14,729, for an early-retirement plan. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has evaluated the condition of its transportation vehicles and determined that, due to safety precautions, one bus must be replaced during fiscal 2005 at a cost of approximately \$55,000. To pay for the buses, the District will use resources from the Physical Plant and Equipment Levy Fund.
- Whole-grade sharing revenues should be at the same level as fiscal 2004, but expenditures should decrease due to adequate numbers of desks, textbooks, etc. that were purchased in fiscal 2004.
- State funds to encourage whole-grade sharing are dispersed to the District on a one-year time delay. The District will receive the dollars for fiscal 2004 in fiscal 2005. This funding is available for three years.
- Open enrollment-out expenditures should be at approximately the same level for fiscal 2005 as the previous year.
- Cass County will hold an election on August 24, 2004, to determine if the county will collect the School Infrastructure Local Option sales tax. This would create approximately \$45,000 in revenues for the Capital Project Fund in fiscal 2005.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Edwards, District Secretary/ Treasurer and Business Manager, C & M Community School District, PO Box 7, Massena, Iowa, 50853.

## Basic Financial Statements



## C &amp; M COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 440,283	\$ 61	\$ 440,344
Receivables:			
Property tax:			
Current year	20,993	-	20,993
Succeeding year	719,434	-	719,434
Income surtax	44,726	-	44,726
Accrued interest	239	-	239
Contract (note 3)	39,122	-	39,122
Due from other governments	1,142	-	1,142
Inventories	-	598	598
Capital assets, net of accumulated depreciation (note 4)	1,346,865	5,595	1,352,460
<b>Total assets</b>	<b>2,612,804</b>	<b>6,254</b>	<b>2,619,058</b>
<b>Liabilities</b>			
Deferred revenue:			
Succeeding year property tax	719,434	-	719,434
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	6,095	-	6,095
Portion due after one year:			
Early retirement	8,634	-	8,634
<b>Total liabilities</b>	<b>734,163</b>	<b>-</b>	<b>734,163</b>
<b>Net Assets</b>			
Invested in capital assets	1,346,865	5,595	\$ 1,352,460
Restricted for:			
Management levy	2,428	-	2,428
Physical plant and equipment levy	187,408	-	187,408
Other special revenue purposes	15,021	-	15,021
Debt service	47,082	-	47,082
Unrestricted	279,837	659	280,496
<b>Total net assets</b>	<b>\$ 1,878,641</b>	<b>\$ 6,254</b>	<b>\$ 1,884,895</b>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,139,451	\$ 181,649	\$ 145,954	\$ -
Special instruction	173,278	29,050	63,181	-
Other instruction	193,682	49,904	7,162	-
	<u>1,506,411</u>	<u>260,603</u>	<u>216,297</u>	<u>-</u>
Support services:				
Student services	2,312	-	-	-
Instructional staff services	47,121	-	-	-
Administration services	238,709	-	-	-
Operation and maintenance of plant services	218,726	3,148	-	-
Transportation services	142,403	-	-	-
Central support	1,076	-	-	-
	<u>650,347</u>	<u>3,148</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>3,352</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	65,950	-	65,950	-
Depreciation (unallocated) *	55,273	-	-	-
	<u>121,223</u>	<u>-</u>	<u>65,950</u>	<u>-</u>
Total governmental activities	2,281,333	263,751	282,247	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>86,823</u>	<u>41,303</u>	<u>44,283</u>	<u>-</u>
Total	\$ 2,368,156	\$ 305,054	\$ 326,530	\$ -

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (811,848)	\$ -	\$ (811,848)
(81,047)	-	(81,047)
(136,616)	-	(136,616)
(1,029,511)	-	(1,029,511)
(2,312)	-	(2,312)
(47,121)	-	(47,121)
(238,709)	-	(238,709)
(215,578)	-	(215,578)
(142,403)	-	(142,403)
(1,076)	-	(1,076)
(647,199)	-	(647,199)
(3,352)	-	(3,352)
-	-	-
(55,273)	-	(55,273)
(55,273)	-	(55,273)
(1,735,335)	-	(1,735,335)
-	(1,237)	(1,237)
(1,735,335)	(1,237)	(1,736,572)

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs

---

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 10)

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 779,018	\$ -	\$ 779,018
114,870	-	114,870
44,726	-	44,726
611,327	-	611,327
6,528	28	6,556
76,147	-	76,147
1,632,616	28	1,632,644
(102,719)	(1,209)	(103,928)
1,981,360	7,463	1,988,823
<u>\$ 1,878,641</u>	<u>\$ 6,254</u>	<u>\$ 1,884,895</u>

## C &amp; M COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 300,353	\$ 145,588	\$ 78,434	\$ 524,375
Receivables:				
Property tax:				
Current year	17,469	2,698	826	20,993
Succeeding year	583,833	88,827	46,774	719,434
Income surtax	44,726	-	-	44,726
Accrued interest	239	-	-	239
Contract (note 3)	-	39,122	-	39,122
Due from other governments	1,142	-	-	1,142
Total assets	\$ <u>947,762</u>	<u>276,235</u>	\$ <u>126,034</u>	\$ <u>1,350,031</u>
Liabilities and Fund Balances				
Liabilities:				
Excess of warrants issued over bank balance	\$ 84,092	\$ -	\$ -	\$ 84,092
Deferred revenue:				
Succeeding year property tax	583,833	88,827	46,774	719,434
Other	44,726	39,122	-	83,848
Total liabilities	712,651	127,949	46,774	887,374
Fund balance:				
Reserved for:				
State grants	6,475	-	-	6,475
Debt service	-	-	47,082	47,082
Unreserved:				
Undesignated	228,636	148,286	32,178	409,100
Total fund balances	235,111	148,286	79,260	462,657
Total liabilities and fund balances	\$ <u>947,762</u>	<u>276,235</u>	\$ <u>126,034</u>	\$ <u>1,350,031</u>

See notes to financial statements.

## C &amp; M COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

Total fund balances of governmental funds	\$ 462,657
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,346,865
Other long-term assets, including income surtax receivable and contract receivable, are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	83,848
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(14,729)</u>
Net assets of governmental activities	<u>\$ 1,878,641</u>
See notes to financial statements	

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 788,337	\$ 114,801	\$ 35,157	\$ 938,295
Tuition	205,089	-	-	205,089
Other	41,270	3,918	52,183	97,371
Intermediate sources	5,357	-	-	5,357
State sources	783,092	69	21	783,182
Federal sources	105,274	-	-	105,274
Total revenues	1,928,419	118,788	87,361	2,134,568
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,124,215	-	-	1,124,215
Special instruction	173,278	-	-	173,278
Other instruction	154,859	-	38,823	193,682
	1,452,352	-	38,823	1,491,175
Support services:				
Student services	2,312	-	-	2,312
Instructional staff services	47,121	-	-	47,121
Administration services	229,411	1,548	7,050	238,009
Operation and maintenance of plant services	184,407	41,103	21,620	247,130
Transportation services	102,394	28,139	8,695	139,228
Central and other support services	1,076	-	-	1,076
	566,721	70,790	37,365	674,876
Non-instructional programs	3,352	-	-	3,352
Other expenditures:				
AEA flowthrough	65,950	-	-	65,950
Total expenditures	2,088,375	70,790	76,188	2,235,353
Excess (deficiency) of revenues over (under) expenditures	(159,956)	47,998	11,173	(100,785)



C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Other financing sources:				
Sale of equipment	\$ 4,760	\$ -	\$ -	\$ 4,760
Sale of real property	-	385	-	385
Total other financing sources	<u>4,760</u>	<u>385</u>	<u>-</u>	<u>5,145</u>
Net change in fund balances	(155,196)	48,383	11,173	(95,640)
Fund balances beginning of year	<u>390,307</u>	<u>99,903</u>	<u>68,087</u>	<u>558,297</u>
Fund balances end of year	<u>\$ 235,111</u>	<u>\$ 148,286</u>	<u>\$ 79,260</u>	<u>\$ 462,657</u>

See notes to financial statements.

## C &amp; M COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (95,640)

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 57,403	
Depreciation expense	<u>(88,655)</u>	(31,252)

Certain income surtax and contract receivable not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 38,902

Some expenses such as early retirement reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (14,729)

Change in net assets of governmental activities \$ (102,719)

See notes to financial statements.

## C &amp; M COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 61
Inventories	598
Capital assets, net of accumulated depreciation	<u>5,595</u>
Total assets	<u>6,254</u>
Liabilities	
None	<u>-</u>
Net Assets	
Invested in capital assets	5,595
Unrestricted	<u>659</u>
Total net assets	<u>\$ 6,254</u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>41,303</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	35,113
Benefits	8,137
Purchased services	32
Supplies	42,493
Depreciation	915
Other	<u>133</u>
	<u>86,823</u>
Operating loss	<u>(45,520)</u>
Non-operating revenues:	
Interest on investments	28
State sources	1,338
Federal sources	<u>42,945</u>
Total non-operating revenues	<u>44,311</u>
Change in net assets	(1,209)
Net assets beginning of year	<u>7,463</u>
Net assets end of year	\$ <u><u>6,254</u></u>

See notes to financial statements.

## C &amp; M COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 41,021
Cash received from miscellaneous operating activities	282
Cash payments to employees for services	(43,250)
Cash payments to suppliers for goods or services	<u>(37,740)</u>
Net cash used in operating activities	<u>(39,687)</u>
Cash flows from non-capital financing activities:	
State grants received	1,338
Federal grants received	<u>38,286</u>
Net cash provided by non-capital financing activities	<u>39,624</u>
Cash flows from investing activities:	
Interest on investments	<u>28</u>
Net decrease in cash and cash equivalents	(35)
Cash and cash equivalents beginning of year	<u>96</u>
Cash and cash equivalents end of year	\$ <u><u>61</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (45,520)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	915
Commodities used	4,659
Decrease in inventories	<u>259</u>
Net cash used in operating activities	\$ <u><u>(39,687)</u></u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2004, the District received \$4,659 of federal commodities.	

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2004

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ <u>22,903</u>	\$ <u>925</u>
Liabilities		
Liabilities:		
Other payables	<u>-</u>	\$ <u>925</u>
Net assets:		
Reserved for scholarships	\$ <u>22,903</u>	

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2004

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 200	
Interest	<u>364</u>	
Total additions	<u>564</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>200</u>
Change in net assets		364
Net assets beginning of year		<u>22,539</u>
Net assets end of year	\$	<u><u>22,903</u></u>
See notes to financial statements.		

## C & M COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2004

#### Note 1. Summary of Significant Accounting Policies

C & M Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Cumberland and Massena, Iowa, and the predominate agricultural territory in Cass and Adams Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, C & M Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. C & M Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cass County Assessor's Conference Board.

##### B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.



C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

## C & M COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2004

#### Note 1. Summary of Significant Accounting Policies (continued)

##### C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

# C & M COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 1. Summary of Significant Accounting Policies (continued)

#### D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets – In the District-wide statement of net assets, the net asset balance invested in capital assets is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

# C & M COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 2. Cash and Pooled Investments (continued)

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$480,701 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

### Note 3. Contract Receivable

During the year ended June 30, 2004, the District entered into a contract for the sale of a house for \$39,500, with interest of 8%. A summary of the payment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 488	\$ 3,112	\$ 3,600
2006	<u>38,634</u>	<u>515</u>	<u>39,149</u>
Total	\$ <u>39,122</u>	\$ <u>3,627</u>	\$ <u>42,749</u>

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,200 *	\$	\$	\$ 31,200
Capital assets being depreciated:				
Buildings	2,305,646 *	-	10,000	2,295,646
Improvements other than buildings	39,588	3,872	6,258	37,202
Furniture and equipment	527,979 *	53,531	32,599	548,911
Total capital assets being depreciated	<u>2,873,213</u>	<u>57,403</u>	<u>48,857</u>	<u>2,881,759</u>
Less accumulated depreciation for:				
Buildings	1,184,030	45,913	10,000	1,219,943
Improvements other than buildings	39,588	193	6,258	33,523
Furniture and equipment	302,678	42,549	32,599	312,628
Total accumulated depreciation	<u>1,526,296</u>	<u>88,655</u>	<u>48,857</u>	<u>1,566,094</u>
Total capital assets being depreciated, net	<u>1,346,917</u>	<u>(31,252)</u>	<u>-</u>	<u>1,315,665</u>
Governmental activities capital assets, net	<u>\$ 1,378,117</u>	<u>\$ (31,252)</u>	<u>\$ -</u>	<u>\$ 1,346,865</u>

\* = The District raised its capitalization threshold from \$500 to \$2,500. This change resulted in the following adjustments to beginning balances: land decreased by \$3,000, buildings decreased by \$1,550, and furniture and equipment decreased by \$465,555.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 181,424	\$ -	\$ -	\$ 181,424
Less accumulated depreciation	174,914	915	-	175,829
Business-type activities capital assets, net	<u>\$ 6,510</u>	<u>\$ (915)</u>	<u>\$ -</u>	<u>\$ 5,595</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

    Instruction:

        Regular \$ 508

    Support services:

        Administration 700

        Operation and maintenance of plant services 860

        Transportation 31,314

33,382

Unallocated depreciation 55,273

Total governmental activities depreciation expense \$ 88,655

Business-type activities:

    Food service operations \$ 915



# C & M COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Early Retirement</u>
Balance beginning of year	\$ -
Additions	14,729
Reductions	<u>-</u>
Balance end of year	\$ <u>14,729</u>
Due within one year	\$ <u>6,095</u>

#### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be between age fifty-five and sixty-two and employees must have completed six years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to insurance coverage, at the current cost for single coverage, for three years or until the retiree becomes eligible for Medicare, whichever is sooner. No early retirement benefits were paid during the year ended June 30, 2004. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

### Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$61,864, \$65,099, and \$63,478 respectively, equal to the required contributions for each year.

## C & M COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2004

#### Note 7. Risk Management

C & M Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$107,917.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

C & M Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Note 8. Related Party Transactions

The District had business transactions totaling \$226 between the District and District officials during the year ended June 30, 2004.

#### Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$65,950 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 10. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District’s programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 10. Accounting Change (continued)

	Fund			
	Special			
	Revenue			
	Physical			
	Plant and			
	Equipment			
	General	Levy	Nonmajor	Total
Net assets, June 30, 2003, as previously reported	\$ 390,307	\$ 99,903	\$ 68,087	\$ 558,297
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$1,526,296				1,378,117
Deferred revenue				44,946
Net assets, July 1, 2003, as restated				\$ 1,981,360

## Required Supplementary Information

C & M COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
and Proprietary Fund  
Required Supplementary Information  
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 1,241,073	\$ 41,331	\$ 1,282,404	\$ 1,187,644	\$ 94,760
Intermediate sources	5,357	-	5,357	-	5,357
State sources	783,182	1,338	784,520	846,429	(61,909)
Federal sources	105,274	42,945	148,219	130,000	18,219
Total receipts	2,134,886	85,614	2,220,500	2,164,073	56,427
DISBURSEMENTS:					
Instruction	1,491,175	-	1,491,175	1,728,033	236,858
Support services	674,876	-	674,876	885,513	210,637
Non-instructional programs	3,352	85,649	89,001	100,458	11,457
Other expenditures	65,950	-	65,950	117,770	51,820
Total disbursements	2,235,353	85,649	2,321,002	2,831,774	510,772
Excess (deficiency) of receipts over (under) disbursements	(100,467)	(35)	(100,502)	(667,701)	567,199
Other financing sources, net	5,145	-	5,145	-	5,145
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(95,322)	(35)	(95,357)	(667,701)	572,344
Balance beginning of year	535,605	96	535,701	667,701	(132,000)
Balance end of year	\$ 440,283	\$ 61	\$ 440,344	\$ -	\$ 440,344

See accompanying independent auditor's report.

# C & M COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 2,134,886	\$ (318)	\$ 2,134,568
Expenditures	2,235,353	-	2,235,353
Net	(100,467)	(318)	(100,785)
Other financing sources	5,145	-	5,145
Beginning fund balances	535,605	22,692	558,297
Ending fund balances	<u>\$ 440,283</u>	<u>\$ 22,374</u>	<u>\$ 462,657</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 85,614	\$ -	\$ 85,614
Expenses	85,649	1,174	86,823
Net	(35)	(1,174)	(1,209)
Beginning net assets	96	7,367	7,463
Ending net assets	<u>\$ 61</u>	<u>\$ 6,193</u>	<u>\$ 6,254</u>

See accompanying independent auditor's report.

## C & M COMMUNITY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



## Other Supplementary Information

## C &amp; M COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 16,331	\$ 15,021	\$ 47,082	\$ 78,434
Receivables:				
Property tax:				
Current year	826	-	-	826
Succeeding year	46,774	-	-	46,774
Total assets	<u>\$ 63,931</u>	<u>\$ 15,021</u>	<u>\$ 47,082</u>	<u>\$ 126,034</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 46,774	\$ -	\$ -	\$ 46,774
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	47,082	47,082
Unreserved:				
Undesignated	17,157	15,021	-	32,178
Total fund equity	<u>17,157</u>	<u>15,021</u>	<u>47,082</u>	<u>79,260</u>
Total liabilities and fund equity	<u>\$ 63,931</u>	<u>\$ 15,021</u>	<u>\$ 47,082</u>	<u>\$ 126,034</u>

See accompanying independent auditor's report.

## C &amp; M COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2004

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 35,157	\$ -	\$ -	\$ 35,157
Other	1,185	50,068	930	52,183
State sources	21	-	-	21
Total revenues	<u>36,363</u>	<u>50,068</u>	<u>930</u>	<u>87,361</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	38,823	-	38,823
Support services:				
Administration services	7,050	-	-	7,050
Operation and maintenance of plant services	21,620	-	-	21,620
Transportation services	8,695	-	-	8,695
Total expenditures	<u>37,365</u>	<u>38,823</u>	<u>-</u>	<u>76,188</u>
Excess (deficiency) of revenues over (under) expenditures	(1,002)	11,245	930	11,173
Fund balances beginning of year	<u>18,159</u>	<u>3,776</u>	<u>46,152</u>	<u>68,087</u>
Fund balances end of year	<u>\$ 17,157</u>	<u>\$ 15,021</u>	<u>\$ 47,082</u>	<u>\$ 79,260</u>

See accompanying independent auditor's report.

## C &amp; M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Annual	\$ (1,720)	\$ 325	\$ (1,395)	\$ -
Athletics	1,299	265	1,524	40
Cheerleaders	506	892	925	473
Class of:				
2004	1,535	-	1,535	-
2005	(20)	-	(20)	-
2007	10	-	10	-
2008	21	-	-	21
Elementary	3,732	12,145	13,556	2,321
Middle School	1,352	9,540	10,505	387
National Honor Society	344	-	-	344
Special	1,651	11,144	5,031	7,764
Art Club	63	-	-	63
Student Council	(164)	-	-	(164)
Future Farmers of America	71	5,189	4,130	1,130
Greenhouse	(7,865)	7,865	-	-
Speech	60	-	-	60
Band	1,415	830	921	1,324
Vocal	1,339	35	224	1,150
Junior Leadership	85	-	420	(335)
Man and His Environment	62	-	62	-
Interest	-	1,838	1,395	443
Total	\$ <u>3,776</u>	\$ <u>50,068</u>	\$ <u>38,823</u>	\$ <u>15,021</u>

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ <u>2,647</u>	\$ <u>8,685</u>	\$ <u>10,407</u>	\$ <u>925</u>
Liabilities				
Other payables	\$ <u>2,647</u>	\$ <u>8,685</u>	\$ <u>10,407</u>	\$ <u>925</u>

See accompanying independent auditor's report.

## C &amp; M COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 938,295	\$ 913,613	\$ 920,301	\$ 832,730
Tuition	205,089	58,211	79,708	68,759
Other	97,371	125,141	131,259	143,660
Intermediate sources	5,357	-	-	-
State sources	783,182	768,035	830,182	974,841
Federal sources	105,274	94,638	66,950	82,781
Total revenues	<u>\$ 2,134,568</u>	<u>\$ 1,959,638</u>	<u>\$ 2,028,400</u>	<u>\$ 2,102,771</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,124,215	\$ 761,743	\$ 738,541	\$ 757,923
Special instruction	173,278	193,181	164,952	159,984
Other instruction	193,682	292,783	312,186	306,542
Support services:				
Student services	2,312	19,771	23,464	25,427
Instructional staff services	47,121	43,715	42,661	41,934
Administration services	238,009	254,806	254,036	242,865
Operation and maintenance of plant services	247,130	324,464	264,978	250,983
Transportation services	139,228	103,958	104,874	126,952
Central and other support services	1,076	-	-	-
Non-instructional programs	3,352	5,407	4,050	3,124
Other expenditures:				
AEA flowthrough	65,950	69,934	71,470	76,298
Total expenditures	<u>\$ 2,235,353</u>	<u>\$ 2,069,762</u>	<u>\$ 1,981,212</u>	<u>\$ 1,992,032</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of  
C & M Community School District:

We have audited the financial statements of C & M Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated July 28, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether C & M Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about C & M Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered C & M Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of C & M Community School District and other parties to whom C & M Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of C & M Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
July 28, 2004



C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal and the recording, preparing and signing of checks were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement as soon as possible. However, due to staff size it will be difficult to make any adjustments to the current system. We have incorporated the superintendent's assistance into the control system whenever possible.

Conclusion – Response accepted.

I-B-04 Disbursement Approval – Out of forty disbursements tested, the Board had not approved one disbursement. The Board does have a written policy regarding payment prior to approval for certain types of expenditures. However, this particular payment was not later formally approved by the Board as the policy requires.

Recommendation – The procedures described in the above comment weaken the control that the Board has over disbursements. All disbursements should be approved by the Board.

Chapter 279.29 of the Code of Iowa provides that "the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed."

Chapter 279.30 of the Code of Iowa allows payment of specific items, such as freight, utilities, postage, salaries and printing, without prior Board approval. In addition, the secretary, upon documentation of approval by the board president, may issue warrants for other verified bills prior to board approval when the board is not in session. All such bills must then be approved by the Board at the next meeting.

Response – We will review and implement this recommendation.

Conclusion – Response accepted.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-C-04      Unauthorized Signatures – The bank confirmation indicated the name of the former board president who would be able to sign checks as an authorized check signer on three accounts.

Recommendation – The District should obtain and prepare proper authorization cards for all accounts at all banks in which the District deposits District funds.

Response – We will obtain and prepare proper authorization cards at all District financial institutions.

Conclusion – Response accepted.

# C & M COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS

Year Ended June 30, 2004

### Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
--	------------------------------------	---------------

Brian Bower, Board Member Owner of Bower Welding	Repairs, supplies	\$ 226
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In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction above does not appear to represent a conflict of interest.

- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – Except as previously mentioned, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

II-K-04 Financial Condition – We noted that the Special Revenue, Student Activity Fund had some deficit balances within the group of single activity accounts.

Recommendation – The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate the deficit balances.

Response – The Board is aware of the condition and is making strides to eliminate deficit accounts.

Conclusion – Response accepted.

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